Small-medium business (SMB) Demarcation Proposal

Draft for discussion at 10.13.2020 Underserved Workgroup

# Background

The CAEECC Underserved Work Group is overseeing analysis on small business customers.

The definition of SMB sets the parameters for the analysis. Each IOU defines small, medium, and large commercial customer class slightly differently, per their 2017 Business Plans.

# Goal

A definition of small-to-mid sized business that propels the analysis towards data-driven policy recommendations, with an ultimate goal of finding ways to better serve underserved SMB customers.

# Challenges

Ideally, the definition will align with various data sources AND program design frameworks. In practice, however, these may not align. For example, claims data demarcates commercial customers using rate class, while IOU Business Plans demarcates based on energy usage, and each IOU defines SMB slightly differently. The research team, with the CAEECC’s guidance, will need to evaluate how to reconcile different definitions with the data available, recognizing the importance of aligning the analysis with program design frameworks.

# Proposal

1. Identify which rate classes in Claims data correlate to “small” vs. “medium” businesses as defined by IOUs in their 2017 Business Plans
	1. For “small”, use energy demand CPUC Resolution E-4939
	2. For “medium”, use an average of the IOU’s energy demand thresholds
2. Conduct detailed analysis on small commercial
	1. Variables to include participation levels, incentives, measure cost, and other variables listed in the Workplan available on google drive
3. Conduct a high-level analysis on medium commercial
	1. Focus on participation levels
	2. Add additional variables if preliminary analysis suggests medium is “underserved”
4. Conduct a comparative analysis of small and medium customer classes
	1. This will be limited to whatever variables are conducted for both classes

# Outstanding questions

1. How do rate class correlate with energy usage or demand?
2. Are “medium” customers as defined by IOU’s in their 2017 Business Plans underserved? Should they be in this analysis? If so…
	1. What should the definition of “medium” business be given the ranges of energy usage thresholds?
3. Would the definition focus on kW, kWh, or therms? (Likely dependent on data sources)
4. Can we identify what characteristics (demographic, business type, locational) of SMBs lead to being particularly underserved to help guide better segmentation for policy targets?

# Reference Definitions from CPUC and IOUs

## CPUC definition

|  |  |
| --- | --- |
| Official adopted definition per Resolution E-4939[[1]](#footnote-1) | ≤40,000 kWh; ≤20 kW; ≤10,000 therms |

## IOU definition of commercial customer classes

|  |  |  |  |
| --- | --- | --- | --- |
| **Utility** | **Small** | **Medium** | **Large** |
| SCE | <50 kW; 7,000 accounts | ≥50 kW, < 250 kW; 33,000 accounts | ≥250 kW; 478,000 accounts |
| PG&E | <40,000 kWh; <10,000 therms | 40,000-500,000 kWh; 10,000-250,000 therms | ≥500,000 kWh; ≥250,000 therms |
| SDG&E[[2]](#footnote-2) | <20 kW; <10,000 therms | 20-199 kW | >200 kW; >10,000 therms |
| SCG | <10,000 therms | 10,000-50,000 therms | >50,000 therms |

1. The official adopted definition is as follows as adopted in Resolution E-4939: “A small business customer is defined as a non-residential customer with an annual electric usage of 40,000 kilowatt hours (kWh) or less, or an energy demand of 20 kilowatt (kW) or less, or annual consumption of 10,000 therms of gas or less. Alternatively, a small business customer is a customer who meets the definition of “micro-business” in California Government Code Section 14837 (Section 14837). Section 14837 defines a micro-business as a business, together with affiliates, that has average annual gross receipts of $3,500,000 or less over the previous three years, or is a manufacturer, as defined in Section 14837 subdivision (c), with 25 or fewer employees. The California Department of General Services is authorized to amend the gross receipt amount. In January 2010 DGS increased the gross receipt amount from $2,750,000 to the current amount of $3,500,000. (see, California Office of Administrative Law, Regulatory Action Number 2000-1110-01S.) This definition does not include fixed usage or unmetered rate schedule customers.” (Per email communication with Laurie Porter, SDG&E Contract Management Office, 9/18/2020) [↑](#footnote-ref-1)
2. SDG&E eligibility for commercial programs is based on electrical consumption only, per contracts [↑](#footnote-ref-2)